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Supreme Court of the United States

October Term, 1942

No. 505

PAPER CONTAINER MFG. COMPANY,
Petitioner,

vs.

DIXIE-VORTEX COMPANY,
Respondent.

PETITION BY PAPER CONTAINER MFG. COMPANY FOR REHEARING ON ITS PETITION FOR WRIT OF CERTIORARI.

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IN THE

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Reconsideration of the petition in this case for a writ of certiorari (denied December 7th) is respectfully and earnestly requested. It is believed that the public importance of the questions presented impells such reconsideration and the grant of the writ.

As early as 1880, this Court, in *Densmore* v. *Scoffield*, 102 U. S. 375, judicially recognized the public interest in the adjudication of the validity of a patent monopoly, saying (at p. 378):

> "Patentees as a class are public benefactors, and their rights should be protected. But the public has rights also. The rights of both should be upheld and enforced by an equally firm hand, wherever they come under judicial consideration."

Again in 1892, in *Pope Manufacturing Co.* v. *Gormully*, 144 U. S. 224, this Court said:

> "It is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly; * * *"

Under the guidance afforded by such repeated recognition of the public right the inferior courts in subsequent years, and with constantly increasing frequency, have recognized that the public interest in the adjudication of the validity of a patent imposes a judicial duty to *determine* validity thereof on the evidence presented even though no issue on validity has been raised in the case. Thus, in 1922, the Court of Appeals for the Third Circuit in *Standard Water Systems Company, Inc.* v. *Griscom Russell Co.*, 278 F. 703, said, at page 705:

> "The public is interested in every adjudication with respect to the validity of a patent, and it is the duty of courts having jurisdiction of patent causes to have regard, at all times, of the rights of the public, so that such rights may be rather enlarged than diminished by judicial determination".

In 1936, the Court of Appeals for the First Circuit followed the same instruction in *Premier Machine Co., Inc.* v. *Freeman*, 84 F. (2d) 425, and stated (at p. 428):

> "That the public is interested in every patent case is apparent from reading the opinion in Hill v. Wooster, 132 U. S. 693 (694). See, too, Pope Mfg. Co. v. Gormully, 144 U. S. 224".

More recently, in October 1942, the Court of Appeals for the Third Circuit, in *Fowler et al.* v. *Honorbilt Products Inc.*, 55 U. S. P. Q. 217, said (at p. 220):

> "A proper regard for the public interest present in a patent suit enjoins upon courts that they not extend the privilege of patent monopoly where invention does not obtain".

Again, on November 20, 1942, in *Cridlebaugh* v. *Rudolph*, that same Court said, 55 U. S. P. Q. 386 (at p. 390):

> "But the fact that the defending party to an infringement suit seeks to obviate the question of patentability of the disclosure involved does not exclude that issue. It inheres none the less in the charge of infringement. In such instance the parties are powerless to foreclosure the Court from determining whether the patent does in fact cover invention. The duty to protect the public from the imposition of an unwarranted monopoly requires no less."

Thus, throughout the years the public interest in the adjudication of the validity of a patent has been accorded a weight at least as great as that of the patentee or the patent owner, and has required the judicial *determination* of the validity of a patent as a condition to its *adjudication* of validity.*

Additionally, in its most recent decision in *Sola Electric Company* v. *Jefferson Electric Company*, decided December 7, 1942, this Court has announced the necessity for the validity of a patent as a condition to legalizing a price fixing license agreement, and has accorded a licensee under a patent the privilege of attacking the validity of the licensed patent for the purpose of establishing the illegality of the

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* Cf. *Exhibit Supply Co.* v. *Ace Patents Corp.*, 315 U. S. 126. In that case the minority opinion of this Court expressly adheres to this fundamental principle, and the majority opinion in no sense constitutes an exception. In the exercise of its discretion as to whether or not a writ of certiorari will issue, this Court can prescribe and limit the specific issues it will review.

price fixing provision of the license agreement. Here, again, the public interest was the dominating and controlling factor, which was regarded by this Court as of more impelling effect than a long recognized but improperly applied doctrine of estoppel which had been construed by the lower Court to prevent judicial determination of the validity of the patent at the request of a licensee thereunder.

It is believed that the fundamental principle underlying all of these cases is that *nothing* properly should preclude a Trial Court from passing on the validity of a patent sought to be enforced or should relieve the Court of its *duty* to do so.

However, in the case at bar, the Court of Appeals has sustained as valid a patent, which thus dominates an important industry, because of its belief that it was without power or authority to consider evidence before it which established the invalidity of the patent beyond question. This belief was assertedly induced because the alleged infringer was an assignor of the rights represented by the patent grant. In other words, the "conduct" of the alleged infringer has been given an importance and effect which has outweighed and made subservient the ever present public interest. Thus, the decision of the Court below is in direct and irreconcilable conflict with the decision of the Circuit Court of Appeals for the Sixth Circuit in *Kellogg Switchboard & Supply Company* v. *Michigan Bell Telephone Co.*, 99 F. (2d) 203, which said (at p. 205):

> "The public is always a third party to an infringement suit, and its rights may not be waived by the conduct of alleged infringers, however repugnant to their later contentions."

In consequence, the denial by this Court of a review in the present case leaves the situation in a condition where, despite this Court's consistent direction that the public is interested and its rights should be safeguarded in the adjudication of the validity of every patent, the failure of the Court of Appeals below to follow this direction has received the sanction of this Court that is incident to its refusal to review and correct this erroneous neglect of the public interest.

The consequence is that a way has been left open—indeed, a direction is implied—whereby it will be possible to obtain judicial adjudications of validity for manifestly invalid patents to the detriment of the public right. Such adjudications, once obtained, may then form the basis upon which to build price fixing agreements impliedly sanctioned by this Court in its recent decision in the *Sola* case. If the principal factors of any industry, by a "Round Robbin" passage of title, hold even temporary title to the patent grant, and thereby, under the decision of the Court of Appeals below, become estopped to question the validity thereof, an effective means is thus available to dominate any industry, and subject the public to the evils of price fixing by means of a worthless patent, without opportunity ever presenting itself to question the validity of the patent.

These possibilities present a review of the present case by this Court as of equal importance to the administration of the patent and anti-trust laws as expressly occasioned the grant of the writ of certiorari in the *Sola* case.

In view of all of the foregoing considerations, and because of the public importance of the questions involved, a reconsideration of the petition for writ of certiorari in this

case, and the grant of the writ, are most earnestly and respectfully urged.

Respectfully submitted,

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Certificate of Counsel.

I hereby certify that this petition for rehearing is presented in good faith and not for delay.

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